

**MONTANA BOARD OF HOUSING
TERMS AND CONDITIONS OF THE
2005 SINGLE FAMILY BOND PROGRAM**

May 9, 2005

- (1) Each Mortgage Loan shall be either insured by FHA under Section 203(b) of the National Housing Act, guaranteed by RD under Title V of the Housing Act of 1949 or guaranteed by the VA under Section 810, Chapter 37 of Title 38, U.S. Code.
- (2) The fixed rate of interest on the Mortgage Loans shall be set by the Board. Two rates will be established. One with points paid by MBOH rather than the borrower, currently 5.50%, and a slightly lower rate, currently 5.375%. In the case of the lower rate, the borrower pays up to two points(one percent origination fee and one percent discount fee)(**rate is subject to change at Board's discretion**).
- (3) The term of the Mortgage Loans shall be 30 years and such Mortgage Loans shall provide for complete amortization by maturity by equal monthly payments of principal and interest.
- (4) The Servicer may deduct a monthly servicing fee at the annual rate of three-hundred-seventy-five thousandths of one percent (.375%) of the outstanding principal balance of Mortgage Loan. The servicing fee factor will be determined by the interest rate. The factor for the 5.50% rate is .068181 and the 5.375% factor is .069767.
- (5) The acquisition cost of a Residence being financed by a Mortgage Loan shall include cost of completing the residence and unpaid SID assessments and must not exceed the limits on Exhibit B.
- (6) Except for Mortgage Loans on Residences located in certain targeted areas, the mortgagor shall not have owned a principal residence at any time during the three-year period preceding the date of execution of the Mortgage Loan.
- (7) The three-year prior homeownership requirement is not applicable in certain targeted areas. Targeted areas are defined in Section 143 of the Internal Revenue Code of 1986, as amended, to include census tracts with population and income characteristics specified and other areas of chronic economic distress meeting criteria set forth and approved as targeted areas by the Secretaries of the United States Department of Treasury and Department of Housing and Urban Development. The following areas are currently designated by the Board as Targeted Areas.

Blaine County
Deer Lodge County
Flathead County
Mineral County
Missoula County
Choteau Co-Census Tract 9401

Sanders County
Silver Bow County
Daniels Co-Census Tract 9402
Sheridan Co-Census Tract 9402
City of Great Falls
Yellowstone Co-Census Tract 0003

(8) The Residence to be financed shall be occupied as the mortgagor's principal residence, and no more than 15% of the total area of the residence may be used in a trade or business.

(9) Refinancings of existing Mortgage Loans are not eligible for purchase by the Board. Refinancings of construction period loans or other interim financings which have a term of 24 months or less are not considered refinancings of existing Mortgage Loans.

(10) Recapture tax provisions will apply.

(11) A mortgagor can be obligated on only one Montana Board of Housing loan at a time.

(12) All bond proceeds available to purchase Mortgage Loans will be placed in a pool. Mortgage Lenders may reserve funds in this pool on a loan-by-loan, first-come, first-served basis. An eligible Mortgage Lender desiring to reserve funds must submit (1) the Mortgage Loan Reservation/Confirmation Report (BOH Form 99); (2) a copy of an executed FHA/RD/VA Loan Application or other complete loan application used by the Mortgage Lender; (3) verification of Annual Family Income; (4) a copy of an executed Buy/Sell Agreement; and (5) signed Recapture Notice to Mortgagor. Upon receipt of such documents or equivalent information electronically through "Lender-On-Line" over the Internet, the Board may reserve bond proceeds for 120 days to acquire Mortgage Loans on existing housing and 180 days to acquire Mortgage Loans for new construction. Such period may be extended upon payment of an additional one-fourth of one percent (0.25%) for each 30-day extension, which shall only be paid by the Mortgage Lender.

(13) For purposes of applying the federal income requirements, the "Actual Gross Annual Income" of a mortgagor is the mortgagor's annualized gross income. Annualized gross income includes any and all income of the mortgagors and any other person who is expected to both live in the financed Residence and to be secondarily liable on the Mortgage Loan. (Exhibit I to the Mortgage Purchase and Servicing Guide) located at http://commerce.state.mt.us/housing/Hous_BOH_SF_IncomeGuide.asp is meant to help aid Mortgage Lenders in determining income. The maximum family income for all mortgagors in targeted and non-targeted areas, as the case may be, has been established by the Board as set forth in Exhibit A hereto.

(14) The Board will purchase Mortgage Loans originated with **no points** at **102%** of the face value of the Mortgage Loan **or** will purchase at one hundred percent (**100%**) of the face amount of the Mortgage Loan, Mortgage Loans originated **with two points** (The Mortgage Lender may charge an origination fee of one percent (1%) of the face amount of the Mortgage Loan and may charge a discount fee of one percent (1%) of the principal amount of the Mortgage Loan). In either case, no additional points may be charged for the origination of the Mortgage Loan. Additionally, if the reservation is cancelled a one half percent (.5%) cancellation fee may be charged to the Lender.

(15) If a Mortgagor cancels a commitment or reservation for a Mortgage Loan under any other program of the Board, said Mortgagor will not be allowed to participate in the Board's 2005 Single Family Bond Program.

(16) Mortgage Loans shall be tendered for sale to the Board within 45 days following execution of the note by the mortgagor. If the Mortgage Lender fails to deliver such loans within 45 days after origination, the purchase price will be reduced by one-half of one percent (0.50%) for each 30 days the loan is not delivered. To determine the accrued interest for purchase and interest on monthly mortgage payments, multiply the number of accrual days by the outstanding principal balance, and divide by the 360 day factor which is 6697.67 for the 5.375% rate and 6545.45 for the 5.50% rate (rate subject to change at Board's discretion). To determine the accrued interest for payoff, multiply the number of accrual days by the outstanding principal balance, and divide by the 365 day factor which is 6790.70 for the 5.375% rate and 6636.36 for the 5.50% rate (determined by the rate chosen by the Board). The monthly remittances and payoffs can be wired or ACHed to:

WIRES: Wells Fargo Bank West, N.A.
ABA#091000019
For Deposit to CK ACCT #0001038377
Credit: Montana Board of Housing
Servicer (3 digit #)_____

Send only one wire (all series combined) for each remittance made during the month. You must complete the MBOH Remittance Detail Fax form listing the individual remittance amounts for each series (even if remitting only one series). Fax the form to both Wells Fargo and to the Montana Board of Housing. **See the Remittance Detail Fax form for the appropriate fax numbers.**

ACH: Wells Fargo Bank West, N.A.
ABA#091000019
CK ACCT #0001038377
CR ACCT: MT BD OF HSG (Position 55-76; 22 characters)
Servicer (3 digit #)_____ (Position 40-54; 15 characters)

Send only one ACH remittance (all series combined) for each remittance made during the month. You must complete the MBOH Remittance Detail Fax form listing the individual remittances for each series (even if remitting only one series). Fax the form to both Wells Fargo and to the Montana Board of Housing. **See the Remittance Detail Fax form for the appropriate fax numbers.**

Mortgage Lenders will be required to provide the Board with information regarding Mortgage Loans when requested by the Board to comply with the requirements of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

EXHIBIT A

Maximum Income Limits As Of March 15, 2005

Small** / Large***
(Recapture Limits equal Program Limits)

PROGRAM ELIGIBILITY
Area

Billings/Yellowstone	\$53,850	/	\$61,928
(Census Tract 003)*	64,620	/	75,390
Blaine*	57,780	/	67,410
Choteau Co-Census Tract 9401*	57,780	/	67,410
Daniels Co-Census Tract 9402*	57,780	/	67,410
City of Great Falls*	57,780	/	67,410
Deer Lodge County*	57,780	/	67,410
Flathead County*	57,960	/	67,620
Gallatin County	56,000	/	64,400
Hill County*	57,780	/	67,410
Jefferson County	57,650	/	66,298
Lewis & Clark County	55,750	/	64,113
Mineral County*	57,780	/	67,410
Missoula County*	64,140	/	74,830
Rosebud County	49,550	/	56,983
Sheridan Co-Census Tract 9402*	57,780	/	67,410
Sanders County*	57,780	/	67,410
Silver Bow County*	57,780	/	67,410
Stillwater County	58,900	/	67,735
<u>Other Counties and Areas</u>	<u>48,150</u>	<u>/</u>	<u>55,375</u>

*Targeted Areas

**Small household is defined as two persons or less

***Large household is defined as three persons or more

EXHIBIT B

Maximum Purchase Price Limits (1/03/05)

Area	Existing	Maximum Cost for New Construction	Maximum Mortgage for New Construction**
Statewide (All Counties)	\$172,632	\$204,432	\$172,632

**Maximum Mortgage Limits for Existing homes are the Purchase Price Limits